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SIPDIS

STATE FOR EAP/TC, PM/DTCC AND ISN/MTR

PM/DTCC FOR BLUE LANTERN COORDINATOR TIM MAZZARELLI

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [TW](#)

SUBJECT: TAIWAN: RESULTS OF BLUE LANTERN PRE-LICENSE 050169368

REF: STATE 48504

11. Summary: Based on information obtained from the Ministry of National Defense and site visit to the consignee, EZO Corporation (EZO), it appears that EZO is a reliable recipient of USML items. End summary.

#### Ministry of National Defense

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12. Lieutenant Colonel Wang from the 202 Arsenal Military of National Defense confirmed the order of subject items: one advanced weapon boresight system and one compact field tester. Wang also stated that the importer of the commodities is EZO.

#### EZO Corporation

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13. On May 20, AIT met with Daniel Chang, Manager, and Sophia Chang, Vice President, of EZO. EZO is a trading company/importer owned by the brother-sister team.

14. EZO is a family-owned company with about eight (8) employees. It had up to 25 employees last year but the economic downturn forced the company to trim its payroll. The company started in 1985 under the name of Grancosmos. In 2002, it merged with Union Systems, Inc. and operated under the name of Union Systems. (Union Systems was established in 1998 by the Changs.) In 2003, Union Systems changed its name to EZO. AIT reviewed corporate registration documents and confirmed the above facts.

15. EZO's main business is to import infrared cameras and related testing equipment for military, hospital, electronics, steel and petrochemical clients.

16. The Changs stated that EZO has had several end-use visits related to imports of dual-use items from the United States. This is the first AIT visit related to imports of munitions items. The Changs stated that they imported munitions items from the U.S. when they operated their business under the names Grandcosmos and Union Systems. AIT received a State Department license issued in 1997 for export of one set of MilCAM-MV with 100 mm lens from Inframetrics for use by 402 Arsenal, Ministry of National Defense.

17. With respect to imports of subject items, AIT reviewed the contract between 202 Arsenal, Military of National Defense, and Innova Technology and Management (Innova) for the procurement of the subject items. The Changs explained that, due to Taiwan procurement and tax rules, Innova bids on government contracts but EZO does the buying and importing of the items. Innova also opens letters of credit with the foreign seller, when required to do so by the seller. AIT reviewed email correspondence between EZO and CI Systems, Inc. (the U.S. seller) explaining the letter of credit process. In the emails, Innova is referred to as a "sister company" of EZO. In fact, the two companies are not legally related; rather, the Changs have a minority stake in Innova, and the majority owners in Innova have a minority interest in EZO. The Changs explained that neither party interferes in each others' operations; that they are "silent partners" for financial support purposes.

¶8. The Changs explained that EZO does not warehouse any imported item. The company delivers the items directly to its clients. For military items, a military representative, Daniel Chang, and an "auditor" unpack the shipment together, verify the content, take pictures of the items, and then assemble the items, if necessary.

¶9. While the risk of diversion by EZO is minimal, AIT notes that the record-keeping by the Changs and their ability to recall facts related to company history and past experience in dual-use and munitions licensing was lacking. AIT advised that they do a better job in keeping thorough records and institute a system that would make it easier to find records. AIT informed the Changs that all parties to a transaction, including the government contractor and importer, if they are different, need to be noted on a license application. They said they would do a better job in relaying all information to U.S. exporters.

¶10. The Changs stated that, because they have had experience in importing both dual-use and munitions items, they are very familiar with the restrictions on reselling, transferring, or re-exporting U.S. controlled items.

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